MEMORANDUM

TO: Environmental Review Commission

FROM: Bill Holman

Re: Sustainable Forestry Recommendations

North Carolina is blessed with significant forest resources. Sustaining healthy forests is essential to protecting and restoring water and air quality, maintaining the important forest products and travel and tourism industries, providing wildlife and plant habitat, and other values.

Governor Jim Hunt proposed a study of the potential impacts of satellite wood chip mills within North Carolina on the state's environment, natural resources, and economy in the fall of 1996. He directed DENR to oversee the study in the fall of 1997. DENR contracted with The Southern Center for Sustainable Forests: North Carolina State University and Duke University to conduct the study. The study was guided by a multi-disciplinary group of stakeholders. The Chip Mill Study results were reported to DENR at the end of August 2000.

To evaluate the impact of chip mills on timber harvest and the forest resource, the study examined the conditions of the state's forests and forecast its potential status in 20 years. The study estimates that more than 1 million acres of forestland in the past 15 years has been converted to residential, commercial, industrial, and other uses and predicts that another million acres will be lost in the next 20 years. The estimated loss of forested areas is actually larger but was offset by the conversion of farmland to forest. Industrial landowners are managing their pine forests more intensively. Over 76 percent of the forests in North Carolina are owned by private, non-industrial landowners.

Their economic and stewardship decisions about the future use of their land will be the key to the future of forests in this state. Current incentives are inadequate to prevent permanent conversion of forests to other uses.

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The study found that satellite chip mills (located away from the manufacturing facility) are a new use of technology and have provided markets for pulpwood throughout the state. Chip mills can have significant regional impacts within their harvest zones, typically a 50–75 mile radius. An average chip mill operating one shift per day requires harvesting about 3,000 acres of timber per year or about 30,000 acres every 10 years. An average chip mill has a capacity to process about 250,000 cubic feet per day although new facilities can process about 400,000 cubic feet per day.

Existing chip mills are currently being used at slightly more than 80 percent of capacity for a single shift. This capacity is adequate to meet the existing demand for wood fiber. Capacity can easily be doubled by an additional shift. Satellite chip mills are distributed across the state. Additional capacity is available at the processing facilities that receive logs directly for onsite chipping.

The State Forester has informed me that North Carolina is now in its fourth generation forest. After reviewing the results of the Chip Mill Study of 2000 and the Forest Sustainability Report of 1996 and after consulting with key staff and stakeholders, DENR recommends that state policy development focus on sustaining the fifth generation forest. It takes 80-plus years for a hardwood forest to mature after harvest. If the market demand for timber and pulp exceeds sustainable levels, it will impact the viability of the existing fourth generation forest and the composition and sustainability of the fifth generation forest. The four most recently constructed chip mills went into areas with growth/removal deficits.

In developing these recommendations, I was very ably assisted and guided by the Chip Mill Study Review Team. Former Deputy Secretary Henry Lancaster, General Counsel Dan McLawhorn and Bill Flournoy coordinated the Chip Mill Study for DENR. Additionally, I have given careful consideration to the recommendations of the Forestry Advisory Council, the Division of Forest Resources, the Technical Advisory Committee on Forest Practice Guidelines, the forest products industry, conservation organizations, recreational users of the forests, and the general public.

RECOMMENDATIONS:

I. **Establish the Sustainable Forestry Commission**. Forests are the state's largest natural resource and the only major one for which there is no citizen member policy body. State laws and policies call for sustainable management of our water, air, wildlife, marine fisheries, and soil resources. The existing Forestry Advisory Council, set out in GS 143B-

309, advises the secretary and the Division of Forest Resources on forestry policies. It was restructured in 1996 and could be the foundation for the Sustainable Forestry Commission.

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- **A.** Find and declare that the state policy regarding forests and forest management is balanced multiple use for production of timber and fiber, travel and tourism, ecological system management, water supply, water and air quality, wildlife habitat, soil conservation, and scenic beauty;
- **B.** Direct the commission to develop within three years the Fifth Generation Sustainable Forest Plan;
- C. Enable the commission to initiate studies and implement policies to manage, sustain and protect forest resources. Many of the issues identified in the 1996 Forest Sustainability Report should be included in the legislation creating the commission and establishing its charge.
- Provide authority to the commission to manage our forest resources for economic and environmental sustainablity and to prevent unsustainable growth/removal deficits, including authority to adopt a moratorium on increased chip mill capacity. North Carolina's forest products industry, travel and tourism industry and environment depend upon our forest resources today and in the future. We must avoid the boom/bust cycles of the past. Market forces and DENR's current policy of requiring individual NPDES stormwater permits for new chip mills have created a de facto moratorium on new chip mills. The rapid globalization of the forest products industry can rapidly change demand for wood chips.
- E. Charge the new commission to identify and report to the governor and the General Assembly recommendations to improve and increase incentives to private landowners to manage their forestland sustainably. Incentives must be the foundation of the state's strategy to encourage landowners to manage and conserve a sustainable fifth generation forest. Providing incentives to landowners to preserve forestland and farmland also complements Governor Hunt and the General Assembly's goal of preserving a million acres of open spaces over the next ten years.
- **F.** DENR, DFR and the Forestry Advisory Council could develop the Fifth Generation Sustainable Forest Plan if the proposed Commission needs additional study.
- II. **Support Forest Inventory**. DENR strongly supports an accurate and ongoing inventory of our forest resources. This basic data is key to making sound public policy on forest management. Additional resources will be needed to complete the current forest inventory

and to implement an annual inventory system.

III. Improve Forest Management

A. DENR has already asked our Technical Advisory Committee to review and recommend improvements to the Forest Practices Guidelines (FPG) that it developed Memo to the Environmental Review Commission Regarding Sustainable Forestry Recommendations Page Four January 5, 2001

and adopted in 1989-90. The American Forest Products Association's (AFPA) Sustainable Forestry Initiative (SFI) and Forest Stewardship Council Principles and Criteria are both more comprehensive than the state's guidelines. DENR has asked the Committee to consider whether the existing performance based FPGs and Best Management Practices (BMPs) would be better able to be enforced by DFR and understood by the public if supplemented with minimum requirements such as the width of forested buffers and slope protections in steep terrain.

- B. Require loggers to notify the Division of Forest Resources about harvest. DENR and the Division of Forest Resources are willing to work with stakeholders to develop a convenient and effective harvest notification system. DENR believes that notice would improve compliance with FPGs. In fiscal year 1999-2000 the Division of Forest Resources evaluated 3,662 sites. It found 209 out of compliance or a compliance rate of 94.3 percent. Four sites were referred to the Division of Land Resources, and five, to the Division of Water Quality for enforcement.
- C. DENR will ask the Divisions of Forest Resources, Water Quality and Land Resources and the Wildlife Resources Commission to study extent of water temperature changes occurring from timber harvests (and other activities) and effective practices such as buffers to prevent violations of the water quality temperature standard. The Division of Water Quality has listed some streams as impaired because of violations of the temperature standard on our Section 303(d) of the Clean Water Act list.
- IV. Close the wetlands drainage loophole. DENR recommends closing the wetlands drainage loophole that has been abused by some developers by prohibiting issuance of state water quality, sediment control and local permits for development of wetlands drained following forestry BMPs. Normal forest management, including minor drainage of wetlands, is permitted under state wetland rules. Developers are required to avoid, minimize and mitigate their impacts on wetlands.
- V. Other suggestions to encourage sustainable forestry

A. Establish a Forest Legacy Trust Fund, similar to the Farmland Preservation Trust Fund, to match federal Forest Legacy Funds and to provide incentives for private landowners to maintain their land in forest. A potential source of revenue could be a forestland conversion fee when forestland is sold for development. The Division of Forest Resources estimates that \$15 million per year is needed to preserve forestland. Preserving forestland, farmland and other open spaces is consistent with the governor and General Assembly's goal of preserving a million acres of open spaces over the next 10 years;

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- B. Support a certification program for sustainable forest management and modify state purchasing policies to favor products from sustainable forests. More consumers are demanding certified wood products;
- C. Prohibit burning of trees cleared for development first in nonattainment areas, then statewide and encourage chipping of trees as an alternative;
- D. Increase recycling of wood and paper products by first prohibiting the disposal of wood waste and cardboard in landfills by July 1, 2003. Five hundred thousand tons of wood, including 250,000 tons of pallets, are buried in North Carolina landfills every year. Tremendous amounts of newsprint, office paper, paperboard and other paper products are still buried in landfills and could be recycled;
- E. Expand sustainable forestry principles to non-industrial forestlands. Increase public education and technical assistance, particularly about the environmental and economic benefits of forestland protection and incentives for private stewardship;
- F. Allow the tax credit for exporting wood chips through state ports to expire in 2001;
- G. Review, increase, and expand the current Forest Development Fund;
- H. Continue to support appropriations from Congress to expand the four national forests in North Carolina.

VI. Other Information

- A. Broad River Chip Company, a wholly owned subsidiary of Williamette Industries, of Rutherford County and Shaver Wood Products of Rowan County filed petitions for contested case hearings in the Office of Administrative Hearings on December 20, 2000 to appeal the terms of the stormwater NPDES General Permits for chip mills issued by the Division of Water Quality. Other chip mills have also challenged their general permits. Environmental organizations sought individual stormwater permits for chip mills and will probably intervene.
- B. The Martin administration started work on a forestry in wetlands best management practices manual over ten years ago. DENR plans to release a working draft manual in January 2001.

Thank you for your consideration.

cc: Dan McLawhorn
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Chip Mill Study Review Team